

# **Do Cash Diversion Programs Prevent Future Welfare Receipt?**

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Presentation at the ACF/ OPRE  
11th Annual Welfare Research and Evaluation Conference  
May 2008

# Welfare “Avoidance” Grants?

- Diversion tactics aim to prevent applicants from becoming entangled in the “welfare trap”
- Formal diversion strategies offer alternative forms of assistance to work-ready applicants
- Welfare Avoidance Grants (WAGs) provide an immediate lump-sum cash payment to meet an emergency need

# Overview of Findings

- Bivariate comparisons between former WAG recipients and welfare leavers indicate WAGs are appropriately targeted
- WAG receipt led to significantly reduced odds of future TANF receipt compared to welfare leavers during a 36-month follow-up period, but only among those with no previous cash assistance

# Welfare Receipt and Duration Dependence

- Duration dependence theory
  - Loss of self-esteem (Bane & Ellwood 1994)
  - Adoption of environmental values (Bane & Ellwood 1994)
  - Loss of skills (Moffit 1992)
  - Stigma of being on welfare (Sandefur & Cook 1998)
- Recent empirical evidence
  - Provides support (Sandefur & Cook 1998; Hoynes, Chay & Hyslop 2004)
  - Expands theory to explain recidivism (Blank & Ruggles 1994; Bruce, Barbour & Thacker 2004)

# What do we know about: Diversion Practice?

- State practices and programs vary
- Mixed evidence on how programs are targeted
  - Zedlewski (2002) found TANF nonparticipants with higher levels of well-being than participants
  - London (2003) identified two groups: job-ready applicants and unprepared applicants
- Qualitative research indicates that front-line workers may not distinguish between formal and informal diversion strategies (Moffit 2003; Ridzi & London 2006)

# What do we know about: Diversion Outcomes?

- National study (London 2003) found that diverted clients were less likely to be employed than TANF leavers
- State studies focus on returns to welfare
  - Report lower recidivism rates among diverted clients than TANF leavers
  - 12 to 18 month follow-up periods

# Research Questions

- **Assumption**

WAGs prevent applicants from needing monthly cash assistance by providing appropriate aid and preventing dependence

- **Question**

Do WAGs prevent future cash assistance or simply delay it?

- **Corollary Question**

Is the impact the same for new versus returning welfare applicants?

# Study Design

- Comparison group - TANF leavers
- Maryland State administrative data
- Critical study date
  - Exit date for TANF leavers
  - End of ineligibility period for WAG recipients
- Event history analysis with three-year outcome period
- Limitations
  - Quasi-experimental design
  - Missing dates



# Study Sample

- WAG and former TANF recipients from the 23 counties of Maryland
- Participant group = Welfare applicants who received a WAG between April 1998 to March 2000 (n = 1,992)
- Comparison group = Sample of TANF leavers from same time period (n = 1,219)
  - Limited to non-child-only cases

# Model and Analysis

- Discrete time event history analysis
- Dependent variable = TANF (Re)entry
- 14 independent variables
  - Policy variable = WAG receipt
  - Individual and case demographics
  - Life experience and human capital variables
- Two sets of analyses
  - New applicants
  - Individuals with previous TANF receipt

# Baseline Differences: Demographics

		<b>WAG Cases (n = 1,992)</b>	<b>TANF Leavers (n = 1,219)</b>
<b>Payee Age***</b>	Mean (Std. Dev.)	31.4 (7.5)	30.0 (7.6)
<b>Payee Gender**</b>	Female	94.1%	96.5%
<b>Payee Race***</b>	Caucasian	44.2%	32.9%
	African American	53.6%	63.8%
<b>Payee Marital Status***</b>	Never Married	49.1%	68.9%
<b>Payee Age at First Birth**</b>	Mean (Std. Dev.)	22.1 (5.0)	21.6 (4.9)
<b>Number of Adults***</b>	1	82.2%	95.3%
<b>Number of Children***</b>	Mean (Std. Dev.)	2 (1)	1.7 (1.1)
<b>Age of Youngest Child</b>	Mean (Std. Dev.)	5.5 (4.5)	5.2 (4.4)

Differences between categorical variables were tested using the Chi-square statistic and those between continuous variables were tested with ANOVA.

\*\*p<0.01, \*\*\*p<0.001

# Baseline Differences: Life Experience

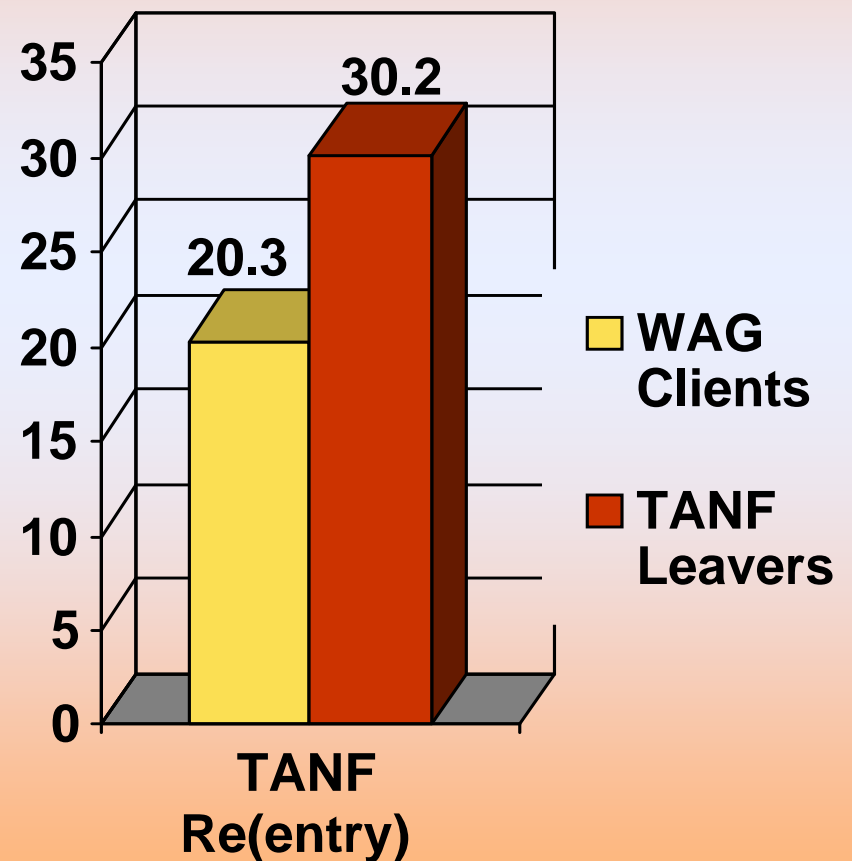
		WAG Cases (n = 1,992)	TANF Leavers (n = 1,219)
<b>Employment History</b> 8 quarters before event	Percent employed***	89.0%	73.1%
	Mean quarters worked***	5.6	4.0
	Mean total earnings***	\$15,51007	\$7,57654
	Mean quarterly earnings***	\$2,47877	\$1,56732
<b>Employment Status</b> Quarter of event	Percent Working***	75.6%	54.3%
	Mean Earnings***	\$2,56090	\$1,93953
<b>New to Welfare Office***</b>	New client	38.2%	44.6%
	Return client	71.8%	55.4%
<b>TANF Receipt</b> In previous 5 years	Mean (Std. Dev.)***	13.6 (16.5)	29.0 (19.8)
	Median	6.0	27.0

Differences between categorical variables were tested using the Chi-square statistic and those between continuous variables were tested with ANOVA.

\*\*p<0.01, \*\*\*p<0.001

# Future TANF Receipt

- Measure goal of avoiding TANF
- Dichotomous variable
  - 1 = TANF payment
  - 0 = No TANF payment
- Outcome period = 36 months



# Event History Regression Models

<i>Predictor</i>	<i>All Sample members</i>	<i>Clients with no TANF history</i>	<i>Clients with TANF history</i>
<b>WAG recipient</b>	0.70***	0.51*	1.20
<b>Months since TANF exit or end of WAG ineligibility period (time-varying)</b>	0.97	0.94	0.97
<b>Missing WAG ineligibility period date</b>	0.93	1.78*	1.91
<b>Demographic controls</b>	No	Yes	Yes
<b>Employment history controls</b>	No	Yes	Yes
<b>Earnings in \$1000s in quarter of critical study date</b>		0.91*	0.89**
<b>TANF receipt</b>		1.01	1.01*
<b>-2 log likelihood</b>	8874.144	2935.656	4045.738
<b>N (person-month records)</b>	100,854	49,074	51,780

Notes: The above are odds ratios based on logistic models. The dependent variable equals one if the individual received a TANF payment during the 3-year follow-up period.  
 \*p<0.05, \*\*p<0.01, \*\*\*p<0.001

# Summary of Findings

- Bivariate comparisons  
WAG recipients have lower rates of (re)entry than welfare leavers
- Event history analysis of future TANF receipt
  - For new applicants, WAG receipt leads to about half the odds of future TANF receipt as compared to welfare leavers
  - WAG receipt is an insignificant predictor among returning clients

# Policy Implications

- WAGs may be a more powerful tool for new applicants
- WAGs are not “worse” than TANF for returning clients
- Caseworker awareness and training of diversion programs may need further development



# Suggestions for Future Research on Diversion

- Replication of analysis with more complete data and in other states
- Subgroup analysis based on identified background differences
- Urban-focused research
- Qualitative research
  - WAG recipients' perceptions and decisions
  - Caseworker knowledge and decision processes

# Thank you

- Research staff at the Family Welfare Research and Training Group, School of Social Work, University of Maryland, Baltimore
- Maryland Department of Human Resources

# Questions or Comments?

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